

REPORT OF THE COMMISSION STAFF  
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2003-277-S  
J.C. COX UTILITIES, INC.

REPORT OF THE AUDIT DEPARTMENT  
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

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REPORT OF THE AUDIT DEPARTMENT  
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

DOCKET NO. 2003-277-S  
J.C. COX UTILITIES, INC.

SYNOPSIS

Amount Requested - Excluding Projected Interconnection Expenses-----	\$26,916
Amount Requested - Including Projected Interconnection Expenses-----	\$26,916
Amount Requested - Including New WWTP Expenses-----	\$82,443

Operating Margins:

Per Books -Excluding Projected Interconnection Expenses-----	(302.64)%
Per Books - Including Projected Interconnection Expenses-----	(302.64)%
Per Books - Including New WWTP Expenses-----	(302.64)%
As Adjusted -Excluding Projected Interconnection Expenses-----	(380.98)%
As Adjusted - Including Projected Interconnection Expenses-----	(525.73)%
As Adjusted - Including New WWTP Expenses-----	(958.56)%
After Proposed Increase -Excluding Projected Interconnection Expenses--	8.16%
After Proposed Increase - Including Projected Interconnection Expenses---	(16.75)%
After Proposed Increase - Including New WWTP Expenses-----	20.98%

REPORT OF THE AUDIT DEPARTMENT  
THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

**DOCKET NO. 2003-277-S**  
**J.C. COX UTILITIES, INC.**

ANALYSIS

The Audit Department Staff has performed a review of the Application of J.C. Cox Utilities, Inc. (hereafter referred to as the Company) along with certain of its accounting records relative to the Company's Application to increase certain of its rates and charges under Docket No. 2003-277-S.

The Company is a sewer utility operating in the State of South Carolina in Anderson County. The Company provides sewer service to 33 residential customers with its home office being located in Williamston, S.C. The Company had no employees during the test year with operating and maintenance being performed by outside parties. Administrative and billing functions were performed by the owners of the Company with no salaries being charged to the utility.

The following is a summary of the Docket relative to the Company's most recent case which was an establishment of rates:

Date of Order	Effective Date	Docket Number	Amount Granted
4-17-1987	4-17-1987	85-448-S	\$14.85 Flat Rate

In the current application, the Company is requesting rates under two different scenarios. The Company has been mandated by a consent order from DHEC to either (1) construct a new wastewater treatment facility or (2) connect its sanitary sewer lines to the wastewater treatment facility of the town of Williamston, S.C. The Company is requesting a flat rate of \$82.82 per month, or \$26,256 annually, under existing conditions, or if the Company interconnects with the town of Williamston, S.C. (See Audit Exhibits A and B). If the Company has to build a new wastewater treatment facility, the Company is requesting a flat rate of \$223.04, or \$82,443 annually. The Commission's Utilities Department calculated the requested increase to be \$26,916 annually, as shown on Audit Exhibits A and B, or \$82,443 annually if the Company has to build a new wastewater treatment facility (See Audit Exhibit C)

The Staff's exhibits relative to the Company's application are as follows:

**AUDIT EXHIBIT A: OPERATING EXPERIENCE AND OPERATING MARGIN**

Detailed in this Staff exhibit is the Company's Operating Experience and Operating Margins for the test year ended December 31, 2002 and the accounting and pro forma adjustments which are necessary to correct or normalize the Company's test year operations both before and after the effect of the requested increase.

Utilizing a per book loss of \$(19,139) and revenues of \$6,541, Staff computed an operating margin on per book operations of (302.64%). Accounting and pro forma adjustments increased the Operating Loss to \$(20,630) and decreased revenues to \$6,131 resulting in a decrease in the Operating Margin to (380.98%). After the Staff adjusted operations for the requested increase of \$26,916, the Operating Margin increases to 8.16%.

**AUDIT EXHIBIT B: OPERATING EXPERIENCE AND OPERATING MARGIN**

Detailed in this Staff exhibit is the Company's Operating Experience and Operating Margins for the test year ended December 31, 2002 and the accounting and pro forma adjustments which are necessary to correct or normalize the Company's test year operations both before and after the effect of the requested increase.

Utilizing a per book loss of \$(19,139) and revenues of \$6,541, Staff computed an operating margin on per book operations of (302.64%). Accounting and pro forma adjustments increased the Operating Loss to \$(27,780) and decreased revenues to \$6,131 resulting in a decrease in the Operating Margin to (525.73%). After the Staff adjusted operations for the requested increase of \$26,916 the Operating Margin increases to (16.75)%.

**AUDIT EXHIBIT C: OPERATING EXPERIENCE AND OPERATING MARGIN**

Detailed in this Staff exhibit is the Company's Operating Experience and Operating Margins for the test year ended December 31, 2002 and the accounting and pro forma adjustments which are necessary to correct or normalize the Company's test year operations both before and after the effect of the requested increase.

Utilizing a per book loss of \$(19,139) and revenues of \$6,541, Staff computed an operating margin on per book operations of (302.64%). Accounting and pro forma adjustments increased the Operating Loss to \$(44,469) and decreased revenues to \$6,131 resulting in a decrease in the Operating Margin to (958.56%). After the Staff adjusted operations for the requested increase of \$82,443 the Operating Margin increases to 20.98%.

**AUDIT EXHIBITS A-1, B-1 and C-1: EXPLANATION OF ACCOUNTING AND PRO FORMA ADJUSTMENTS**

Detailed in these exhibits are the accounting and pro forma adjustments and each adjustment made necessary as a result of the proposed increase.

**AUDIT EXHIBITS A-2, B-2 and C-2: CUSTOMER GROWTH COMPUTATION**

The Staff's computation of the Company's customer growth factor is shown in these exhibits. The Staff computed a growth factor of -0-% for the test year.

**AUDIT EXHIBIT A-3: INCOME STATEMENT**

In this exhibit the Staff has presented the Company's Income Statement as filed with this Commission for the calendar year ended December 31, 2002.

**AUDIT EXHIBIT A-4: BALANCE SHEET**

In this exhibit the Staff has presented the Company's Balance Sheet as filed with this Commission for the calendar year ended December 31, 2002.

J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Excluding Projected Interconnection Expenses

Description	(1) Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) As Adjusted \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
<b>Operating Revenue:</b>					
Service Revenue	6,291	(410)	(1) 5,881	26,916	(7) 32,797
Misc. Income - Reconnect Charge	250	0	250	0	250
<b>Total Operating Revenues</b>	<b>6,541</b>	<b>(410)</b>	<b>6,131</b>	<b>26,916</b>	<b>33,047</b>
Operating and Maintenance Expenses	18,950	0	(2) 18,950	0	18,950
General and Administrative Expenses	1,071	(657)	(3) 414	0	414
Depreciation & Amortization Expense	5,132	1,741	(4) 6,873	0	6,873
Misc. Expense	25	0	25	0	25
Taxes Other Than Income	502	(3)	(5) 499	217	(8) 716
Income Taxes	0	0	0	643	(9) 643
<b>Total Operating Expenses</b>	<b>25,680</b>	<b>1,081</b>	<b>26,761</b>	<b>860</b>	<b>27,621</b>
<b>Net Operating Income/Loss</b>	<b>(19,139)</b>	<b>(1,491)</b>	<b>(20,630)</b>	<b>26,056</b>	<b>5,426</b>
Customer Growth (Exh. A-2)	0	0	(6) 0	0	(10) 0
<b>Net Income/Loss For Return</b>	<b>(19,139)</b>	<b>(1,491)</b>	<b>(20,630)</b>	<b>26,056</b>	<b>5,426</b>
<b>Operating Margin</b>	<b>-302.64%</b>		<b>-380.98%</b>		<b>8.16%</b>
<b>Interest Expense for Oper. Margin</b>	<b>657</b>		<b>2,728</b>		<b>2,728</b>



J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Including Projected Interconnection Expenses

Description	(1) Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) As Adjusted \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
<b>Operating Revenue:</b>					
Service Revenue	6,291	(410)	(1) 5,881	26,916	(7) 32,797
Misc. Income - Reconnect Charge	250	0	250	0	250
<b>Total Operating Revenues</b>	<b>6,541</b>	<b>(410)</b>	<b>6,131</b>	<b>26,916</b>	<b>33,047</b>
Operating and Maintenance Expenses	18,950	(5,422)	(2) 13,528	0	13,528
General and Administrative Expenses	1,071	(157)	(3) 914	0	914
Depreciation & Amortization Expense	5,132	13,364	(4) 18,496	0	18,496
Misc. Expense	25	0	25	0	25
Taxes Other Than Income	502	446	(5) 948	217	(8) 1,165
Income Taxes	0	0	0	0	0
<b>Total Operating Expenses</b>	<b>25,680</b>	<b>8,231</b>	<b>33,911</b>	<b>217</b>	<b>34,128</b>
<b>Net Operating Income/Loss</b>	<b>(19,139)</b>	<b>(8,641)</b>	<b>(27,780)</b>	<b>26,699</b>	<b>(1,081)</b>
Customer Growth (Exh. B-2)	0	0	(6) 0	0	(9) 0
<b>Net Income/Loss For Return</b>	<b>(19,139)</b>	<b>(8,641)</b>	<b>(27,780)</b>	<b>26,699</b>	<b>(1,081)</b>
<b>Operating Margin</b>	<b>-302.64%</b>		<b>-525.73%</b>		<b>-16.75%</b>
<b>Interest Expense for Oper. Margin</b>	<b>657</b>		<b>4,453</b>		<b>4,453</b>

J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Including New WWTP Expenses

Description	(1) Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) As Adjusted \$	(4) Proposed Increase \$	(5) After Proposed Increase \$
<b>Operating Revenue:</b>					
Service Revenue	6,291	(410)	(1) 5,881	82,443	(7) 88,324
Misc. Income - Reconnect Charge	250	0	250	0	250
<b>Total Operating Revenues</b>	<b>6,541</b>	<b>(410)</b>	<b>6,131</b>	<b>82,443</b>	<b>88,574</b>
Operating and Maintenance Expenses	18,950	2,000	(2) 20,950	0	20,950
General and Administrative Expenses	1,071	2,266	(3) 3,337	0	3,337
Depreciation & Amortization Expense	5,132	20,657	(4) 25,789	0	25,789
Misc. Expense	25	0	25	0	25
Taxes Other Than Income	502	(3)	(5) 499	665	(8) 1,164
Income Taxes	0	0	0	4,429	(9) 4,429
<b>Total Operating Expenses</b>	<b>25,680</b>	<b>24,920</b>	<b>50,600</b>	<b>5,094</b>	<b>55,694</b>
<b>Net Operating Income/Loss</b>	<b>(19,139)</b>	<b>(25,330)</b>	<b>(44,469)</b>	<b>77,349</b>	<b>32,880</b>
Customer Growth (Exh. C-2)	0	0	(6) 0	0	(10) 0
<b>Net Income/Loss For Return</b>	<b>(19,139)</b>	<b>(25,330)</b>	<b>(44,469)</b>	<b>77,349</b>	<b>32,880</b>
<b>Operating Margin</b>	<b>-302.64%</b>		<b>-958.56%</b>		<b>20.98%</b>
<b>Interest Expense for Oper. Margin</b>	<b>657</b>		<b>14,300</b>		<b>14,300</b>

J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Excluding Projected Interconnection Expenses

Revenues and Expenses	(1)	(2)	(3)	(4)	(5)	(6)
Description	Service Revenue	O&M Expenses	G&A Expense	Depre. & Amort. Expense	Taxes Other Than Income	Customer Growth
	\$	\$	\$	\$	\$	\$
(1) Staff proposes to annualize service revenues using year-end customers and the presently approved flat rate of \$14.85 monthly. (A&U)						
Per Staff	(410)				(3)	
Per Company	0				0	
(2) The Company proposes to adjust O&M expenses for the monthly treatment and transportation fees, in the event the utility connects to the town of Williamston's sewer system. The Company included an estimated treatment expense of \$8,280 plus \$310 for chemicals and supplies. The Staff's adjustment is \$-0- since the interconnection has not been made and is not a known and measureable change to test year operations. (U)						
Per Staff		0				
Per Company		8,590				
(3) Staff proposes to reclassify interest expense to below-the-line for rate-making purposes. Staff has included annualized interest expense in the booking of income tax expense and in the computation of the operating margin based on interest synchronization. (A)						
Per Staff					(657)	
Per Company					0	

J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Excluding Projected Interconnection Expenses

	(1)	(2)	(3)	(4)	(5)	(6)
Revenues and Expenses	Service Revenue	O&M Expenses	G&A Expense	Depr. & Amort. Expense	Taxes Other Than Income	Customer Growth
Description	\$	\$	\$	\$	\$	\$

(4) The Company proposes to adjust General and Administrative expenses for the estimated interest expense to be incurred on funds borrowed to construct the required lift station. The Company only included the interest for one month totaling \$1,200 associated with borrowed funds for the proposed lift station construction. Staff has included annualized interest as previously discussed in the computation of the operating margin based on interest synchronization. (A)

Per Staff	0
Per Company	1,200

(5) The Company proposes to adjust office supply expenses for estimated increases. The Company could not provide support for this adjustment. Therefore, Staff is not recommending an adjustment. (A)

Per Staff	0
Per Company	150

(6) The Company proposes to include its total Long-term debt at 12-31-02 of \$99,507 in operating expense. This debt included loans from Ellison and Ellison Partnership, the owners of the utility to meet operating expense requirements. Staff has included annualized interest expense based on interest synchronization in the computation of income taxes and in computing operating Margin. (A)

Per Staff	0
Per Company	99,507

J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Excluding Projected Interconnection Expenses

Revenues and Expenses Description	(1)	(2)	(3)	(4)	(5)	(6)
	Service Revenue	O&M Expenses	G&A Expense	Depre. & Amort. Expense	Taxes Other Than Income	Customer Growth
	\$	\$	\$	\$	\$	\$

(7) The Staff proposes to amortize actual rate case expenses of \$19,000 over 5 years while the Company proposes to expense total estimated rate case expenses in the test year. Staffs' adjustment is based on the low end of fees to be charged by the law firm of Elliott & Elliott per letter dated 12-01-03. The 5 year amortization period is based on the total number of years the present owners have operated the sewer system without filing for rate relief. (A)

Per Staff  
Per Company

3,800  
17,000

(8) Staff proposes to annualize depreciation expense on the existing year end Plant In Service using a rate of 2.5% as recommended by the Commission's Utilities Department. The Company used an accelerated depreciation method to compute the "Per Books" Depreciation Expense. (A&U)

Per Staff  
Per Company

(2,059)  
0

**J.C. Cox Utilities, Inc.**  
**Operating Experience and Operating Margin**  
**Test Year Ended December 31, 2002**

## Excluding Projected Interconnection Expenses

Revenues and Expenses	(1)	(2)	(3)	(4)	(5)	(6)
Description	Service Revenue	O&M Expenses	G&A Expense	Depre. & Amort. Expense	Taxes Other Than Income	Customer Growth
	\$	\$	\$	\$	\$	\$
The Company proposes to annualize depreciation expense for the cost of constructing a required lift station and new lines to transport sewage to the town of Williamston. The Company used estimated costs of \$110,000, a recovery period of 15 years and an accelerated cost recovery method to compute the depreciation expense adjustment. The Company also included projected increases in operating and maintenance and general and administrative expenses and taxes other than income. Staff's adjustment is -0- since the interconnection has not been made and is not a known and measurable change. (A)						
Per Staff		0	0	0	0	
Per Company		1,000	500	5,500	449	
Total Accounting and Pro Forma Adjustments - Revenues and Expenses - Per Staff	(410)	0	(657)	1,741	(3)	0

(9) The Company proposes to annualize depreciation expense for the cost of constructing a required lift station and new lines to transport sewage to the town of Williamston. The Company used estimated costs of \$110,000, a recovery period of 15 years and an accelerated cost recovery method to compute the depreciation expense adjustment. The Company also included projected increases in operating and maintenance and general and administrative expenses and taxes other than income. Staff's adjustment is -0- since the interconnection has not been made and is not a known and measurable change. (A)

Per Staff  
Per Company

**Total Accounting and Pro Forma Adjustments - Revenues and Expenses - Per Staff**

J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Proposed Increase Description	(7)	(8)		(9)	(10)
	Service Revenue	Other Than Income	Taxes	Income Taxes	Customer Growth
	\$	\$	\$	\$	\$
(10) The Staff and Company propose to record the effects of the proposed increase. (A&U)					
Per Staff	26,916	217		643	0
Per Company	26,256	0		0	0
Total Accounting and Pro Forma Adjustments -					
Proposed Increase - Per Staff	26,916	217		643	0

(A) - Adjustment is the responsibility of the Audit Department witness.  
(U) - Adjustment is the responsibility of the Utilities Department witness.

J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Including Projected Interconnection Expenses

Revenues and Expenses	(1)	(2)	(3)	(4)	(5)	(6)
Description	Service Revenue	O&M Expenses	G&A Expense	Depre. & Amort. Expense	Taxes Other Than Customer Income	Customer Growth
	\$	\$	\$	\$	\$	\$
(1) Staff proposes to annualize service revenues using year-end customers and the presently approved flat rate of \$14.85 per month. (A&U)						
Per Staff	(410)				(3)	
Per Company	0				0	
(2) Staff proposes to eliminate outside operator fees and chemicals paid to Goldie and Associates. Upon connection to the town of Williamston, S.C. an operator or chemicals will no longer be required. (U)						
Per Staff		(18,950)				
Per Company		0				
(3) The Staff and Company propose to adjust O&M expenses for the monthly treatment and transportation fees, in the event the utility connects to the town of Williamston's sewer system. Staffs' adjustment includes a \$700 monthly fee to be paid to the town of Williamston to treat the sewage and a \$4,128 annual fee to the County of Anderson for use of their capacity to transport the sewage as recommended by the Commission's Utilities Department. Included in the Company's adjustment is an estimated treatment expense of \$8,280 along with a charge of \$310 for chemicals and supplies. (U)						
Per Staff						12,528
Per Company						8,590



J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Including Projected Interconnection Expenses

Revenues and Expenses	(1)	(2)	(3)	(4)	(5)	(6)
Description	Service Revenue	O&M Expenses	G&A Expense	Depre. & Amort. Expense	Taxes Other Than Income	Customer Growth
	\$	\$	\$	\$	\$	\$

(4) Staff proposes to reclassify interest expense to below-the-line for rate-making purposes. Staff has included annualized interest expense in the booking of income tax expense and in the computation of the operation margin based on interest synchronization. (A)

Per Staff  
Per Company

(657)  
0

(5) The Company proposes to adjust General and Administrative expenses for the estimated interest expense to be incurred on funds borrowed to construct the required lift station. The Company only included the interest for one month totaling \$1,200 associated with borrowed funds for the proposed lift station construction. Staff has included annualized interest as previously discussed in the computation of operating margin based on interest synchronization. (A)

Per Staff  
Per Company

0  
1,200

(6) The Company proposes to adjust office supply expenses for estimated increases. The Company could not provide support for this adjustment. Therefore, Staff is not recommending an adjustment. (A)

Per Staff  
Per Company

0  
150

J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Including Projected Interconnection Expenses

Revenues and Expenses	(1)	(2)	(3)	(4)	(5)	(6)
Description	Service Revenue	O&M Expenses	G&A Expense	Depre. & Amort. Expense	Taxes Other Than Income	Customer Growth
	\$	\$	\$	\$	\$	\$

(7) The Staff proposes to amortize actual rate case expenses of \$19,000 over 5 years while the Company proposes to expense total estimated rate case expenses in the test year. Staffs' adjustment is based on the low end of fees to be charged by the law firm of Elliott & Elliott per letter dated 12-01-03. The 5 year amortization period used by the Staff is based on the total number of years the present owners have operated the sewer system without filing for rate relief. (A)

Per Staff

Per Company

3,800  
17,000

(8) The Staff proposes to amortize plant closure expenses of \$10,948, consisting of \$10,000 for decommissioning of the lagoon and \$948 in engineering fees, over a 5 year period as recommended by the Utilities Department. The Company has not yet incurred these expenses but are under a DHEC consent order to do so. Close-out expenses are based on an engineering study performed by the Goldie & Associates Engineering Firm and are not actual costs incurred by the Company. The Company included its total long-term debt at 12-31-02 of \$99,507 in its computation of G&A expenses. (A&U)

Per Staff

Per Company

0  
99,507  
2,190  
0

J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Including Projected Interconnection Expenses

Revenues and Expenses Description	(1)	(2)	(3)	(4)	(5)	(6)
	Service Revenue	O&M Expenses	G&A Expense	Depre. & Amort. Expense	Taxes Other Than Income	Customer Growth
	\$	\$	\$	\$	\$	\$
		1,000	500	5,207	449	
		1,000	500	5,500	449	

(9) The Staff and Company propose to annualize depreciation expense for the cost of constructing a required lift station and new lines to transport sewage to the town of Williamston. The Staff included \$98,802 in costs from the proposal submitted by Goldie & Associates, an engineering service company, to calculate the adjustment using 15 years for the lift station and 40 years for the lines to transport the sewage. The lives used by the Staff were recommended by the Commission's Utilities Department. The Company used estimated costs of \$110,000, a recovery period of 15 years and an accelerated cost recovery method to compute the depreciation expense adjustment. The Staff and Company also included projected increases in operating and maintenance and general and administrative expenses and taxes other than income.

Per Staff  
Per Company

(10) Staff proposes to recommend an extraordinary retirement for the net book value of the existing lagoon to be decommissioned upon connection to the City of Williamston. Such extraordinary retirement is proposed by the Staff to be written off over 5 years. The 5 year write-off was recommended by the Commission's Utilities Department. (A&U)

Per Staff  
Per Company

4,919  
0

## Including Projected Interconnection Expenses

Revenues and Expenses	(1)	(2)	(3)	(4)	(5)	(6)
Description	Service Revenue	O&M Expenses	G&A Expense	Depre. & Amort. Expense	Taxes Other Than Income	Customer Growth
	\$	\$	\$	\$	\$	\$
Staff proposes to annualize depreciation expense based on Plant in Service at December 31, 2002 excluding lagoon costs to be retired upon connection to the city of Williamston's treatment plant. Staff's annualization of depreciation was based on rates recommended by the Commission's Utilities Department. (A&U)				(2,752)		
Per Staff				0		
Per Company						
Total Accounting and Pro Forma Adjustments - Revenues and Expenses - Per Staff	(410)	(5,422)	(157)	13,364	446	0

(11) Staff proposes to annualize depreciation expense based on Plant In Service at December 31, 2002 excluding lagoon costs to be retired upon connection to the city of Williamston's treatment plant. Staff's annualization of depreciation was based on rates recommended by the Commission's Utilities Department. (A&U)

Per Staff  
Per Company
$$(2,752)_0$$

**Total Accounting and Pro Forma Adjustments - Revenues and Expenses - Per Staff**

J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Including Projected Interconnection Expenses

Proposed Increase Description	(7)		(8)		(9)	
	Service	Revenue	Taxes	Other Than	Customer	Growth
				Income		
		\$		\$		\$
(12) The Staff and Company propose to record the effects of the proposed increase. (A&U)						
Per Staff		26,916		217		0
Per Company		26,256		0		0
Total Accounting and Pro Forma Adjustments -						
Proposed Increase - Per Staff		26,916		217		0

(A) - Adjustment is the responsibility of the Audit Department witness.  
(U) - Adjustment is the responsibility of the Utilities Department witness.

J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Including New WWTP Expenses

Revenues and Expenses	(1)	(2)	(3)	(4)	(5)	(6)
Description	Service Revenue	O&M Expenses	G&A Expense	Depre. & Amort. Expense	Taxes Other Than Income	Customer Growth
	\$	\$	\$	\$	\$	\$

(1) Staff proposes to annualize service revenues using year-end customers and the presently approved flat rate of \$14.85 per month. (A&U)

Per Staff  
Per Company

(410)  
0

(3)  
0

(2) The Company proposes to adjust office supply expenses for estimated increases. The Company could not provide support for this adjustment. Therefore, Staff is not recommending an adjustment. (A)

Per Staff  
Per Company

0  
150

(3) Staff proposes to reclassify interest expense to below-the-line for rate-making purposes. Staff has included annualized interest expense in the booking of income tax expense and in the computation of the operating margin based on interest synchronization. (A)

Per Staff  
Per Company

(657)  
0

J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Including New WWTP Expenses

	(1)	(2)	(3)	(4)	(5)	(6)
Revenues and Expenses						
Description	Service Revenue	O&M Expenses	G&A Expense	Depre. & Amort. Expense	Taxes Other Than Income	Customer Growth
	\$	\$	\$	\$	\$	\$

(4) The Staff proposes to amortize actual rate case expenses of \$19,000 over 5 years while the Company proposes to expense total estimated rate case expenses in the test year. Staffs' adjustment is based on the low end of fees to be charged by the law firm of Elliott & Elliott per letter dated 12-01-03. The 5 year amortization period used by the Staff is based on the total number of years the present owners have operated the sewer system without filing for rate relief. (A)

Per Staff 3,800  
Per Company 17,000

(5) The Staff proposes to amortize plant closure expenses of \$10,948, consisting of \$10,000 for decommissioning of the lagoon and \$948 in engineering fees, over a 5 year period as recommended by the Utilities Department. The Company has not yet incurred these expenses but are under a DHEC consent order to do so. Close-out expenses are based on an engineering study performed by the Goldie & Associates Engineering Firm and are not actual costs incurred by the Company. The Company included its total long-term debt at 12-31-02 of \$99,507 in its computation of G&A expenses. (A&U)

Per Staff 0  
Per Company 99,507

J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Including New WWTP Expenses

	(1)	(2)	(3)	(4)	(5)	(6)
Revenues and Expenses						
Description	Service Revenue	O&M Expenses	G&A Expense	Depre. & Amort. Expense	Taxes Other Than Income	Customer Growth
	\$	\$	\$	\$	\$	\$

(6) The Staff and Company propose to annualize depreciation expense for the cost of constructing a DHEC required wastewater treatment plant. The Staff and Company included estimated costs. According to the application, these costs were based on DHEC estimates. No proposal by an outside party has been submitted for the cost to construct a wastewater treatment plant. Depreciation expense was computed using a 40 year life as recommended by the Commission's Utilities Department. The Staff and Company also included increases in operating and maintenance, general and administrative expenses and liability insurance as projected by the Company. (A&U)

Per Staff  
Per Company

2,000 2,923 12,500  
2,000 2,923 5,500

(7) Staff proposes to recommend an extraordinary retirement for the net book value of the existing lagoon to be decommissioned upon construction of a new treatment plant. Such extraordinary retirement is proposed by the Staff to be written off over 5 years. The 5 year write-off was recommended by the Commission's Utilities Department. (A&U)

Per Staff  
Per Company

4,919  
0



J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Including New WWTP Expenses

Revenues and Expenses Description	(1)	(2)	(3)	(4)	(5)	(6)
	Service Revenue	O&M Expenses	G&A Expense	Depre. & Amort. Expense	Taxes Other Than Income	Customer Growth
	\$	\$	\$	\$	\$	\$
	(410)	2,000	2,266	20,657	(3)	0

(8) Staff proposes to annualize depreciation expense based on Plant In Service at December 31, 2002 excluding lagoon costs to be retired upon construction of the wastewater treatment plant. The Staff made use of depreciation rates as recommended by the Commission's Utilities Department.(A&U)

Per Staff (2,752)  
Per Company 0

Total Accounting and Pro Forma Adjustments - Revenues and Expenses - Per Staff

J.C. Cox Utilities, Inc.  
Operating Experience and Operating Margin  
Test Year Ended December 31, 2002

Proposed Increase Description	(7) Service Revenue	(8) Taxes		(9) Income Taxes	(10) Customer Growth
		Other Than	Income		
	\$		\$		\$
(9) The Staff and Company propose to record the effects of the proposed increase. (A&U)					
Per Staff	82,443	665	4,429	0	0
Per Company	82,443	0	0	0	0
Total Accounting and Pro Forma Adjustments - Proposed Increase - Per Staff	82,443	665	4,429	0	0

(A) - Adjustment is the responsibility of the Audit Department witness.  
(U) - Adjustment is the responsibility of the Utilities Department witness.

J.C. Cox Utilities, Inc.  
 Computation of Customer Growth  
 Test Year Ended December 31, 2002

Description	(1) Per Books	(2) As Adjusted	(3) After Increase
	\$	\$	\$
Net Operating Income	(19,139)	(20,630)	5,426
Growth Factor	0.00%	0.00%	0.00%
Customer Growth	-	-	-

**NOTE: The Company had no customer growth during the test year.**

Number of Customers:

Beginning	33
Ending	33
Average	33

**Ending Customers represent customers @ 12-31-02**

$$\text{Growth Factor} = \frac{\text{Ending Customers} - \text{Average Customers}}{\text{Average Customers}}$$

$$\text{Growth Factor} = \frac{33 - 33}{33}$$

$$\text{Growth Factor} = \underline{\underline{0.00\%}}$$

J.C. Cox Utilities, Inc.  
 Computation of Customer Growth  
 Test Year Ended December 31, 2002

Description	(1) Per Books	(2) As Adjusted	(3) After Increase
	\$	\$	\$
Net Operating Income	(19,139)	(27,780)	(1,081)
Growth Factor	0.00%	0.00%	0.00%
Customer Growth	-	-	-

**NOTE: The Company had no Customer Growth during the Test Year.**

Number of Customers:

Beginning	33
Ending	33
Average	33

**Ending Customers represent customers @ 12-31-02**

$$\text{Growth Factor} = \frac{\text{Ending Customers} - \text{Average Customers}}{\text{Average Customers}}$$

$$\text{Growth Factor} = \frac{33 - 33}{33}$$

$$\text{Growth Factor} = \underline{\underline{0.00\%}}$$

J.C. Cox Utilities, Inc.  
 Computation of Customer Growth  
 Test Year Ended December 31, 2002

Description	(1) Per Books	(2) As Adjusted	(3) After Increase
	\$	\$	\$
Net Operating Income	(19,139)	(44,469)	32,880
Growth Factor	0.00%	0.00%	0.00%
Customer Growth	-	-	-

**NOTE: The Company had no Customer Growth during the Test Year.**

<u>Number of Customers:</u>	
Beginning	33
Ending	33
Average	33

**Ending Customers represent customers @ 12-31-02**

$$\text{Growth Factor} = \frac{\text{Ending Customers} - \text{Average Customers}}{\text{Average Customers}}$$

$$\text{Growth Factor} = \frac{33 - 33}{33}$$

$$\text{Growth Factor} = \underline{\underline{0.00\%}}$$

J.C. Cox Utilities, Inc.  
Statement of Income & Expenses  
January - December, 2002

INCOME:	\$	\$
Gross Receipts for Services		6,541
EXPENSES:		
Taxes	502	
Interest Expense	657	
Depreciation Expense	5,132	
Legal & Professional Expense	125	
Outside Services	12,992	
Supplies	5,958	
Office Expense	289	
Misc. Expense	<u>25</u>	
Total Expenses		<u>25,680</u>
Net Loss		<u><u>(19,139)</u></u>

J.C. Cox Utilities, Inc.  
Balance Sheet  
As of December 31, 2002

ASSETS:	\$	\$
Cash on Hand		-0-
Depreciable Property (lines & lagoon)	122,938	
LESS: Accumulated Depreciation	<u>(33,808)</u>	
Net		89,130
Total Assets		<u>89,130</u>
LIABILITIES & STOCKHOLDER'S EQUITY:		
Loans & Notes Payable	99,507	
Capital Stock	1,000	
Retained Earnings	<u>(11,377)</u>	
Total Liabilities & Stockholders Equity		<u>89,130</u>

**REPORT OF THE  
UTILITIES DEPARTMENT  
PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

**J. C. COX UTILITIES, INC.**

**DOCKET NO. 2003-277-S**



**J. C. COX UTILITIES, INC.**

**DOCKET NO. 2003-277-S**

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**UTILITIES DEPARTMENT  
EXHIBIT NO. 1**

J.C. Cox Utilities, Inc. is operating under rates and charges approved by Commission Order No. 87-421, issued April 17, 1987, in Docket No. 85-488-S.

**SUMMARY OF PRESENT AND PROPOSED RATES**

**1. Proposed rate to connect to Town of Williamston or to operate existing facilities:**

<u>CUSTOMER RESIDENTIAL</u>	<u>PRESENT RATE</u>	<u>PROPOSED RATE</u>	<u>AMOUNT OF INCREASE</u>	<u>PERCENT INCREASE</u>
Residential (flat rate)	\$14.85	\$ 82.82	\$ 67.97	457.71%

**2. Proposed rate to upgrade Waste Water Treatment Facility (WWTF):**

<u>CUSTOMER RESIDENTIAL</u>	<u>PRESENT RATE</u>	<u>PROPOSED RATE</u>	<u>AMOUNT OF INCREASE</u>	<u>PERCENT INCREASE</u>
Residential (flat rate)	\$14.85	\$ 223.04	\$ 208.20	1,402.02%

**UTILITIES DEPARTMENT  
EXHIBIT NO. 2**

**EFFECT OF PROPOSED INCREASE ON OPERATING REVENUE**

Utilities Department Exhibit No. 2 shows the effect of the proposed increase on the Company's operating revenue using the proposed rates for: 1) connecting to Town of Williamston or to operate existing facilities and 2) to upgrade the WWTF.

**1) The requested rates to connect to the Town of Williamston or to operate existing facilities will produce \$26,916 in additional revenue which is an increase of 457.68%.**

Source of Revenue	Per Books \$	Adjustment \$	After Adjustment \$	Increase \$	After Increase \$	Percent Increase
Sewer Service Reconnect fee	6,291 250	410(1) 0	5,881 250	26,916 (2) 0	32,797 250	457.68%
Total revenue	6,541	410	6,131	26,916	33,047	439.01%

(1) To annualize revenues.

(2) To add to the adjusted revenues the proposed increase for the test year.

**2) The requested rates to construct or upgrade the WWTF will produce \$82,443 in additional revenue which is an increase of 1401.85%.**

Source of Revenue	Per Books \$	Adjustment \$	After Adjustment \$	Increase \$	After Increase \$	Percent Increase
Sewer Service Reconnect fee	6,291 250	410(3) 0	5,881 250	82,443 (4) 0	88,324 250	1401.85%
Total revenue	6,541	410	6,131	82,443	88,574	1344.69%

(3) To annualize revenues.

(4) To add to the adjusted revenues the proposed increase for the test year.

**UTILITIES DEPARTMENT  
EXHIBIT NO. 3**

**EFFECT OF PROPOSED INCREASE ON RESIDENTIAL MONTHLY SEWER BILL**

Utilities Department Exhibit No. 3 shows the effect of the proposed rates and charges on the residential customer's monthly sewer bill to 1) connect to the Town of Williamston or to operate the existing system and 2) to upgrade the WWTF.

**1) The requested increase in a residential sewer bill to connect to the Town of Williamston or to operate the existing system will be \$67.97 or 457.71%.**

<b>CUSTOMER Flat rate /month</b>	<b>PRESENT BILL</b>	<b>PROPOSED BILL</b>	<b>AMOUNT OF INCREASE</b>	<b>PERCENT INCREASE</b>
Residential	\$ 14.85	\$ 82.82	\$ 67.97	457.71%

**2) The requested increase in a residential sewer bill to upgrade the WWTF will be \$ 208.20 or 1,402.02%.**

<b>CUSTOMER Flat rate /month</b>	<b>PRESENT BILL</b>	<b>PROPOSED BILL</b>	<b>AMOUNT OF INCREASE</b>	<b>PERCENT INCREASE</b>
Residential	\$ 14.85	\$ 223.04	\$ 208.20	1,402.02%

**UTILITIES DEPARTMENT  
EXHIBIT NO. 4**

**UTILITIES DEPARTMENT REVIEW OF SERVICE PROVIDED BY THE COMPANY**

ON NOVEMBER 19, 2003, PERSONNEL FROM THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA STAFF PERFORMED AN INSPECTION OF THE WASTEWATER TREATMENT PLANT. THE COMPANY PROVIDES SERVICE TO 33 RESIDENTS IN THE FOREST HILLS SUBDIVISION IN ANDERSON COUNTY SOUTH CAROLINA. THE RECORDS OF THE CONSUMER SERVICES DEPARTMENT DO NOT REFLECT ANY COMPLAINTS REGARDING THE COMPANY.

SINCE THE NOTICE OF FILING WAS MAILED TO THE COMPANY'S CUSTOMERS, STAFF HAS NOT RECEIVED ANY PROTESTANT LETTERS. THE DEPARTMENT OF CONSUMER AFFAIRS HAS INTERVENED AND ALSO ONE CUSTOMER.

THE COMPANY PROVIDES ADEQUATE SERVICE TO ITS CUSTOMERS.

THE FOLLOWING PAGES ARE THE INSPECTION REPORT OF THE TREATMENT PLANT AND THE BUSINESS OFFICE COMPLIANCE REVIEW REPORT.

# UTILITIES DEPARTMENT – PLANT INSPECTION

## SEWERAGE SYSTEM INSPECTION

UTILITY: J. C. COX UTILITIES, INC. NO. OF CUSTOMERS: 33

SYSTEM: FOREST HILLS SUBDIVISION DATE INSPECTED: 11.19.03

INSPECTED BY: WM. RICHARDSON CO. REPRESENTATIVE: MRS. CRYSTAL ELLISON

TYPE OF PLANT: MECHANICAL \_\_\_\_\_ LAGOON X

EXTENT OF TREATMENT: PRIMARY \_\_\_\_\_ SECONDARY X TERTIARY \_\_\_\_\_

CHLORINATOR YES X NO \_\_\_\_\_

OTHER CHEMICALS IN USE (De-chlor) YES X NO \_\_\_\_\_

AERATORS YES X NO \_\_\_\_\_

PLANT FENCED & LOCKED YES X NO \_\_\_\_\_

WARNING SIGNS VISIBLE YES X NO \_\_\_\_\_

HOLES IN FENCE YES \_\_\_\_\_ NO X

EROSION OF DIKES YES \_\_\_\_\_ NO X

ODOR YES \_\_\_\_\_ NO X

GRASS CUT YES X NO \_\_\_\_\_

DUCK WEED OR ALGAE (duck weed) YES X NO \_\_\_\_\_

GREASE BUILD-UP YES \_\_\_\_\_ NO X

DEBRIS INSIDE PLANT YES \_\_\_\_\_ NO X

COLOR OF EFFLUENT CLEAR

LIFT STATIONS YES \_\_\_\_\_ NO X NUMBER \_\_\_\_\_

FAILURE WARNING SYSTEM YES \_\_\_\_\_ NO \_\_\_\_\_

ELECTRIC WIRING (ACCEPTABLE) YES \_\_\_\_\_ NO \_\_\_\_\_

OVERFLOWS YES \_\_\_\_\_ NO \_\_\_\_\_

CONDITION OF ACCESS ROAD GOOD X BAD \_\_\_\_\_

NEW CONSTRUCTION YES \_\_\_\_\_ NO X

HOUSES YES \_\_\_\_\_ NO \_\_\_\_\_

UTILITY YES \_\_\_\_\_ NO \_\_\_\_\_

FREQUENCY CHECKED BY OPERATOR DAILY

LOCATION OF UTILITY OFFICE 33 LESTER RD. WILLIAMSTON, SC 29697

LOCATION OF SYSTEM FOREST HILLS S/D, WILLIAMSTON AREA

IS SUBDIVISION PROVIDED WATER BY THIS UTILITY? YES \_\_\_\_\_ NO X

BY WHOM? TOWN OF WILLIAMSTON

COMMENTS: \_\_\_\_\_

## BUSINESS OFFICE COMPLIANCE REVIEW REPORT

UTILITY: J. C. COX UTILITIES, INC. INSPECTOR: W. RICHARDSON

OFFICE: 33 LESTER ROAD, WILLIAMSTON, SC DATE: NOVEMBER 19, 2003

COMPANY REPRESENTATIVE: MRS. CRYSTAL ELLISON

### IN COMPLIANCE

#### YES OR NO\*

- YES 1. Are all records and reports available for examination in accordance with Rule R.103-710 and R.103-510?
- YES 2. Are complaint records maintained in accordance with Rule R.103-716 and R.103-516?
- YES 3. Are the utility's rates, its rules and regulations and its up-to-date maps and plans available for public inspection in accordance with Rule R.103-730 and R.103-530?
- YES 4. Are procedures established to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with Rule R.103-730 and R.103-530?
- N/A 5. Are deposits charged within the limits established by Rule R.103-731 and R.103-531?
- YES 6. Are timely and accurate bills being rendered to customers in accordance with Rule R.103-733 and R.103-532?
- YES 7. Are bill forms in accordance with Rule R.103-732 and R.103-532?
- YES 8. Are adjustments of bills handled in accordance with Rule R.103-733 and R.103-533?
- YES 9. Is the policy for customer denial or discontinuance of service in accordance with Rule R.103-735 and R.103-535?
- YES 10. Are notices sent to customers prior to termination in accordance with Rule R.103-735 and R.103-535?
- YES 11. Are notices filed with the Commission of any violation of PSC or DHEC rules which effect service provided to its customers in accordance with rule R.103-714-C and R.103-514-C?

## BUSINESS OFFICE COMPLIANCE REVIEW REPORT (PG. 2)

- YES 12. Does the utility have adequate means (Telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in cases of emergency or unscheduled interruptions or service in accordance with Rule R.103-730 and R.103-530?
- YES 13. Are records kept of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with Rule R.103-714 and R.103-514?
- YES 14. Has the utility advised the Commission, in accordance with Rule R.103-712 and R.103-512 of the name, title, address and telephone number of the person who should be contacted in connection with:
- (a) General management duties?
  - (b) Customer relations (complaints)?
  - (c) Engineering operations?
  - (d) Meter tests and repairs?
  - (e) Emergencies during non-office hours?
- YES 15. Has the Company verified the maps on file with the Commission include all the service area of the Company?
- 33 16. Number of customers the Company has at present.
- NO 17. Does the Company have a current performance bond on file with the Commission? Amount of bond: see comment

\*A "NO" RESPONSE REQUIRES A NOTE IN THE COMMENT SECTION

**COMMENTS:** 5 - The Company does not charge deposits.

17 - The Company has requested waiver of the updated bond. Commission Order No. 2003- 589 requires the updated bond to be filed prior to the hearing.

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UTILITIES DEPARTMENT  
EXHIBIT NO. 5

J.C. Cox Utilities, Inc.  
Alternate Revenue Requirements  
Test Year Ended December 31, 2002

	(1)(A) Revenue Required After Increase	(2) Proposed Increase (Decrease) Required	(3)(U) Monthly** Rates Required
	<u>Per Exhibit A</u>		
	\$	\$	\$
Operating Margin @ 0.00%	29,667	23,536	74.29
Operating Margin @ 5.00%	31,655	25,524	79.31
Operating Margin @ 8.16% (See Staff's Audit Exhibit A)	33,047	26,916	82.82

Per Exhibit B

No Alternatives

	<u>Per Exhibit C</u>		
	\$	\$	\$
Operating Margin @ 0.00%	65,377	59,246	164.46
Operating Margin @ 5.00%	69,735	63,604	175.47
Operating Margin @ 10.00%	74,700	68,569	188.01
Operating Margin @ 15.00%	80,445	74,314	202.51
Operating Margin @ 20.98% (See Staff's Audit Exhibit C)	88,574	82,443	223.04

(A) The Audit Department calculated the revenue requirement.

(U) The Utilities Department calculated the monthly rates required.

\*\*The monthly rates required calculations excludes the \$250.00 in Reconnect charges.

Note 1: Calculations for other operating margins can be provided upon request.